

Message Text

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SUBJECT: EUROPEAN COUNCIL, JULY 16: HIGHLIGHTS OF THE FIRST DAY

1. BEGIN SUMMARY. THE EC HEADS OF GOVERNMENT DEVOTED A MAJORITY OF THE FIRST DAY OF THE EUROPEAN COUNCIL TO DISCUSSIONS OF THE ECONOMIC SITUATION IN THE COMMUNITY AND IN THE WORLD. THEY REPORTEDLY AGREED THAT THE CURRENT WORLD RECESSION WAS DEEPER AND LONGER-LASTING THAN HAD BEEN PREDICTED AND THAT IT CONSTITUTED THE GREATEST PROBLEM FACED BY THE COMMUNITY. THEY WERE FURTHER OF THE VIEW THAT ADDITIONAL REFLATIONARY EFFORTS SHOULD BE TAKEN IN ALL MEMBER STATES WITH THE EXCEPTION OF BRITAIN, ITALY AND IRELAND. A CONSENSUS EMERGED THAT THESE EFFORTS SHOULD BE DISCUSSED WITH THE UNITED STATES AND JAPAN. THE HEADS OF GOVERNMENT ALSO DISCUSSED THE POLITICAL SITUATION IN THE COMMUNITY AFTER THE BRITISH REFERENDUM. WILSON, WELCOMING THE RESULTS OF THE REFERENDUM, SAID THAT BRITAIN WAS NOW PREPARED TO DO "NO MORE OR NO LESS THAN HER PARTNERS TO ACHIEVE EUROPEAN UNITY." DISCUSSIONS ON PORTUGAL BEING REPORTED SEPTEL.
END SUMMARY

2. ECONOMIC DISCUSSIONS. THE EC HEADS OF GOVERNMENT AND FOREIGN
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MINISTERS SPENT MOST OF THE FIRST DAY OF THE EUROPEAN COUNCIL

SESSION DISCUSSING THE ECONOMIC SITUATION IN THE COMMUNITY AND IN THE WORLD. OUR SOURCES INDICATE THERE WAS UNANIMOUS AGREEMENT THAT THE CURRENT WORLD RECESSION WAS DEEPER AND MORE PROLONGED THAN HAD BEEN ANTICIPATED. IN ADDITION TO SPECULATING ON THE CAUSES OF THE RECESSION, THE HEADS OF GOVERNMENT DISCUSSED WHAT FURTHER STEPS MIGHT BE TAKEN TO RESTORE THE HEALTH OF THE WORLD'S ECONOMY. A CONSENSUS DEVELOPED ON THE PROPOSITION THAT SOME FURTHER REFLATIONARY EFFORTS, IN PARTICULAR INCREASED PUBLIC SPENDING, NEEDED TO BE UNDERTAKEN IN ALL EC MEMBER STATES EXCEPT BRITAIN, ITALY AND IRELAND. GERMAN CHANCELLOR SCHMIDT REPORTEDLY SAID THAT THE GERMAN PUBLIC WAS NOW "MENTALLY PREPARED" TO ACCEPT DEFICIT SPENDING. FRENCH PRESIDENT GISCARD SAID THAT WHILE FRANCE WAS PREPARED TO UNDERTAKE ADDITIONAL REFLATIONARY MEASURES, HE DOUBTED WHETHER THESE COULD BE EFFECTIVE IN THE ABSENCE OF SIMILAR ACTIONS BY THE UNITED STATES AND JAPAN. ALTHOUGH GISCARD DID NOT--AS SOME OBSERVERS ANTICIPATED--SPECIFICALLY CALL FOR A BIG FIVE MONETARY CONFERENCE, HE DID, HOWEVER, SAY THAT THE ECONOMIC SITUATION WAS "WIDER THAN THE COMMUNITY" AND THAT SOLUTIONS SHOULD BE SOUGHT IN CONJUNCTION WITH THE UNITED STATES AND JAPAN. THERE WAS, ACCORDING TO SEVERAL SOURCES, UNANIMOUS AGREEMENT THAT DISCUSSION ON THIS SUBJECT SHOULD BE UNDERTAKEN WITH THE UNITED STATES AND JAPAN AT AN EARLY OPPORTUNITY. BUT QUESTIONS OF TIMING, LEVEL AND MODALITIES WERE APPARENTLY NOT ADDRESSED IN ANY DETAIL, AT LEAST IN THE FORMAL MEETING.

3. BRITISH PRIME MINISTER WILSON SPOKE AT LENGTH ON THE REFERENDUM AND ON BRITAIN'S OWN POSITION IN EUROPE. HE SAID THE REFERENDUM PROVED THAT EUROPE HAD THE "WHOLEHEARTED SUPPORT OF THE BRITISH PEOPLE". HE SAID BRITAIN WAS "COMMITTED TO PLAYING OUR FULL PART IN THE COMMUNITY--NO MORE NOR NO LESS THAN OUR PARTNERS." AT THE CONCLUSION OF HIS PREPARED SPEECH, WILSON WAS ASKED ABOUT THE BRITISH POSITION ON DIRECT ELECTIONS OF THE EUROPEAN PARLIAMENT. HE SAID THAT THE BRITISH WERE CONDUCTING THEIR OWN STUDY OF DIRECT ELECTION AND ITS EFFECTS ON WESTMINSTER, AND THEREFORE, HE COULD NOT GIVE A DEFINITIVE ANSWER AT THE PRESENT TIME. HE DID, HOWEVER, GO ALONG WITH THE OTHER HEADS OF GOVERNMENT IN AGREEING TO SET UP A COMMITTEE ON THIS QUESTION, REPORTING THROUGH THE FOREIGN MINISTERS, TO THE NEXT EUROPEAN COUNCIL. WE UNDERSTAND THAT THE COMMITTEE WILL BE LIMITED OFFICIAL USE

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ASKED TO EXAMINE IMPLEMENTATION OF THE GOAL OF DIRECT ELECTION OF THE EUROPEAN PARLIAMENT BY 1978. INITIAL CONSIDERATION IS TO BE ON THE BASIS OF THE EUROPEAN PARLIAMENT'S OWN DRAFT PROPOSALS.

4. WILSON WAS ALSO QUESTIONED ABOUT HIS VIEWS ON ECONOMIC AND MONETARY UNION. HE REPORTEDLY SAID THAT THE UNITED KINGDOM INTENDED TO ADHERE TO THE GOAL OF ECONOMIC AND MONETARY UNION BUT BELIEVED IT WAS NOT POSSIBLE TO ACHIEVE THIS GOAL AT THE

PRESENT TIME. HE DID, HOWEVER, SAY THAT BRITAIN WAS NOW READY TO DISCUSS PARTIAL ECONOMIC COOPERATION MEASURES.

5. COMMENT. THUS FAR, THE HEADS OF GOVERNMENT APPEAR TO BE FULFILLING GISCARD'S PREDICTION ON HIS ARRIVAL IN BRUSSELS WHEN HE SAID THAT THIS EUROPEAN COUNCIL MEETING WAS INTENDED TO PROVIDE A FORUM FOR EXCHANGING VIEWS RATHER THAN TAKING FIRM DECISIONS. FOLLOWING CONCLUSION OF THEIR FORMAL MEETING ON JULY 16, THE HEADS OF GOVERNMENT ALSO DISCUSSED PORTUGAL AND THESE DISCUSSIONS ARE CONTINUING ON THE MORNING OF JULY 17. GREENWALD

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